

265—5.1(16) Program description. This program is intended to allow qualified small businesses to obtain loans at below market interest rates for qualified purposes through tax-exempt financing. Loans will be available from a participating lender under the IFA small business loan program. Project sponsors shall apply directly to the participating lenders, who shall make credit and risk evaluations and otherwise make the decision, based on sound lending practices, whether or not to extend credit to the project sponsor.

After the decision to extend credit has been made by the participating lender, the authority will contemporaneously enter into a loan agreement with the project sponsor and will issue a small business development revenue bond, the interest on which is exempt from federal income taxation, in the amount of the loan. The authority will assign the loan to the participating lender, and the lender will purchase that bond. The proceeds will be used to fund the loan assigned to the lender.

Under the IFA revenue bond procedures, the bond which is issued by the authority and purchased by the mortgage-lender is a nonrecourse obligation. The only security for the lender is the underlying security on the assigned loan.